PART II

THE COST OF UNEMPLOYMENT

To the Employe

Little though we know of the facts of unemployment, we know even less of its social cost. We do not realize how deeply unemployment penetrates, and how seriously it threatens, our community welfare. Although unemployment affects every interest in the community, the burden falls most heavily on the working classes. When out of work the average member of the working class loses his chief means of support. It is, therefore, a matter of life and death to him.

The most immediate and vital effect of unemployment on the worker is a very serious reduction of the wage scale. Enough has been said to show how greatly unemployment reduces the pay received. In the absence of any general information for Philadelphia industries, an investigation made in New Jersey will best serve to indicate, in a general way, the extent to which the wage scale is depressed by unemployment. Figures collected by the New Jersey State Department of Labor from firms employing over 21,000 workers in the machine industry and from firms employing nearly 16,000 persons in the silk industry show that each of these industries worked during the normal industrial year of 1912 at approximately 70 per cent of total capacity. The actual average wage received during the year for the machine industry was $684; for the silk industry, $509. If full time had been made, it follows that an increase of over 40 per cent would have resulted. This would have meant an average annual wage for the machine industry of $977; for the silk industry of $726. This result is shown graphically in fig. 18.

It has been shown that in Axminster Carpet Mill "A", in the last four years, employes lost at least 27 per cent of the normal working time since that much of the time was spent outside of the mill. The actual average annual wage received by piece workers in this mill was $413 (based on statistics compiled for the entire force from April, 1911, to April, 1912, and from July, 1914, to

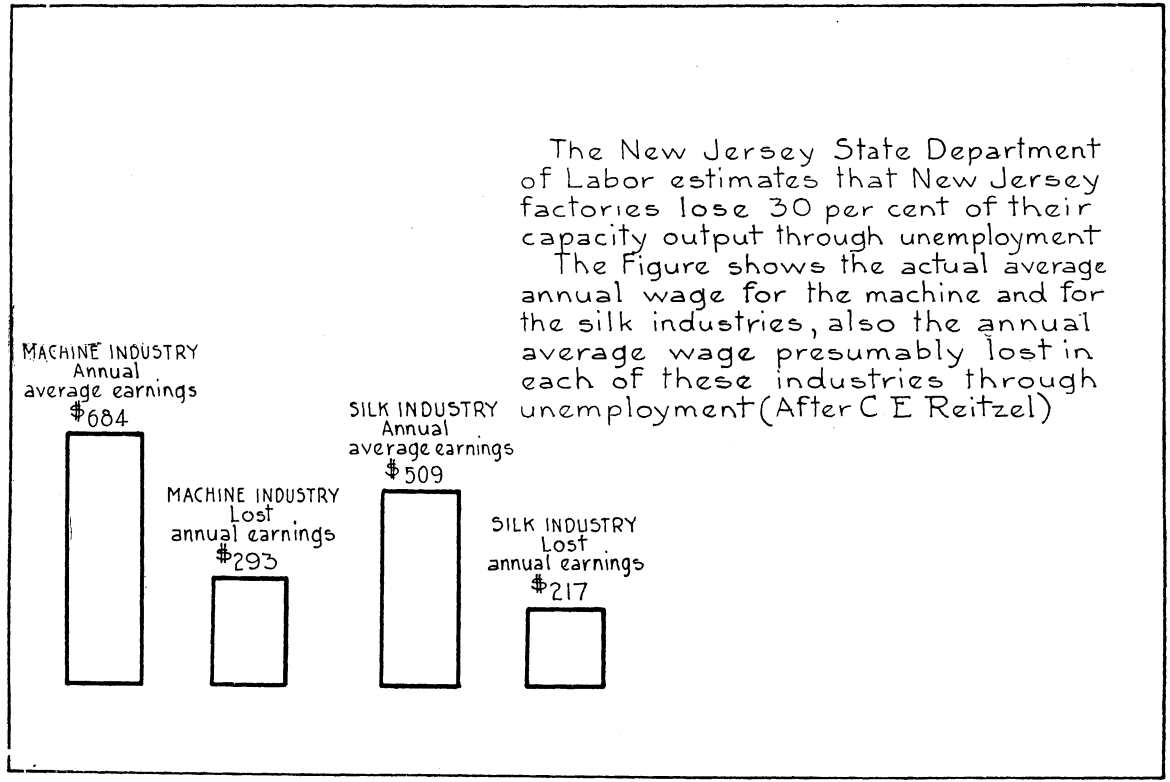
The New Jersey State Department of Labor estimates that New Jersey factories lose 30 per cent of their capacity output through unemployment
The Figure shows the actual average annual wage for the machine and for the silk industries, also the annual average wage presumably lost in each of these industries through unemployment (After C E Reitzel)
MACHINE INDUSTRY Annual average earnings $684
MACHINE INDUSTRY Lost annual earnings $293
SILK INDUSTRY Annual average earnings $509
SILK INDUSTRY Lost annual earnings $217

FIGURE 18

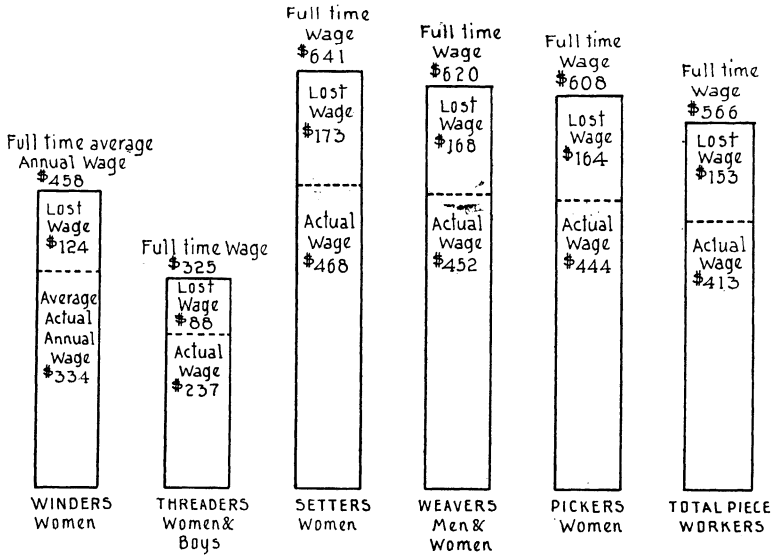

Chart showing actual wage received by piece workers in different departments of Axminster Carpet Mill "A". Also what the average annual wages would have been in those departments if working time lost (outside of mill) had not been lost. Since these figures include only working time lost outside of mill by those on the payroll, and does not include time lost in the mill waiting for dye or material, and does not include time lost by those laid off entirely from the payroll in slack times, this chart must represent a very considerable understatement of the amount by which the wage scale of this one firm is reduced through umemployment.

FIGURE 19

April, 1915). If this 27 per cent of time had not been lost, the average annual wage would have been $566. The average annual loss of wage per employe through unemployment was at least $153, and was probably much more, if time lost waiting in the mill, and time lost by those laid off, were included. Stated for individual departments, the actual average annual wage and the lost wage per employe would be as follows:

	Actual average annual wage	Average annual wage lost through lost time spent outside of mill
Winders	$334	$124
Threaders	237	88
Setters	468	173
Weavers	452	168
Pickers	444	164

These results are shown graphically in fig. 19.

In short, the worker loses the opportunity of earning 100 per cent of what his energies and abilities warrant. Permanent or chronic unemployment means a permanent loss of wage. In essence it means that the family of a man with a $1,000 or $1,200 earning ability cannot profit by or live according to the standard of such means, because the man is actually earning only from $500 to $1,000 a year. Not merely does unemployment seriously reduce the income of the worker; it makes his income decidedly irregular. Regular income is interrupted by periods of total or partial stoppage of income. In times characterized by such unusual industrial depression as of the past winter, the loss of income is complete on the part of thousands. To a large degree, the worker is entirely ignorant when such misfortune will befall him. Such a situation almost forces the worker to lead a hand-to-mouth existence. He hesitates to plan ahead, because he never knows whether he will be able to carry through his plans or not, for fear of an interruption of income. A premium is, therefore, placed on the lack of thrift. When the normal income returns after a famine period, it not unnaturally leads a family to spend extravagantly after the strain of pinching through a hard time, just as human nature always has, from the days we were savages, led us to indulge in an orgy of feasting after a long fasting. Unemployment and irregular employment are the arch enemies of thrift.

Perhaps the most serious industrial result of unemployment is its effect on the quality of the working people. It makes good workers bad. It turns workers who were capable and willing into men who are neither capable nor willing to hold a steady job if they could get one. As one man with whom I talked when he was out in front of a hosiery mill at the noon hour, said, "For six months before this month, we have been working from 8 to 3. When we came to go back to the old hours (7 to 5.30) it seemed at first as if we just couldn't make ourselves get up an hour earlier and work two hours later."

The utter inability of the workers to understand or to change the situation breeds a fatalistic lack of hope that soon manifests itself in a lack of ambition and effort. The secretary of the National Lace Weavers' Union says, "The lace industry has made more bums than any industry I know of. I have seen men go into the mills only to work an hour this morning or an hour this afternoon, so long, that they are incapable of sustained effort. They lose their personal 'punch' and often eventually lose their ability to discuss anything except how things are this week in this or that plant."

One of the usual ways by which such a depression leads to a debasing of the worker is by causing the skilled man to drift into an unskilled trade. When a man is out of work, he is very apt to "take anything" that offers, whether it is a job in which he can utilize his skill or not. The very common result is that he is never able to "come back" to his own trade. His ability in his particular trade is sacrificed and he drifts into the already tremendously overcrowded class of unskilled men. Not only the worker but the entire Philadelphia community as well, is the loser by this lowering of the skill of labor.

The injury to the worker by unemployment extends beyond his mere industrial efficiency, and dangerously affects the social standing, the family relations, the health, the intelligence and the public orderliness of the working classes of the community. A series of interviews with Kensington textile workers (chiefly Anglo-Saxons) is one steady story of used up savings, of increased debts, and of "half time" for four, six or nine months during the past winter. Even the few whose greater savings or "steadier time" would normally have led them to avoid the "pinch" of the past winter, have felt obliged to lend to the less fortunate to an extent

which, in many cases, has meant a severe drain on their own resources.

The lowered income during such a winter as the past (1914–15) very frequently means the curtailment of the necessities of food, fuel and clothing, to the point where the health is seriously impaired. It is almost impossible to measure this injury. Mr. R. R. P. Bradford, who is in charge of the "Lighthouse" and was quoted previously (page 6), said during the spring of 1915, "I should not be at all surprised if, as a result of the lowering of physical vitality among the Kensington workers, because of insufficient nourishment and protection, there should come about an epidemic of disease that will cost us dear. Whether it does or does not happen, we have a permanent injury as a result of this year's unemployment in the lessened vitality of the people."

Every severe depression is a great destroyer of family life. Almost every family with whom I conversed knew of two or three families that were forced to "break up" because of the unemployment during the past winter. One of the usual results of unemployment is a considerable increase in the number of thefts, burglaries and suicides. The figures of Table I show how these crimes have increased in Philadelphia during the winter of 1914–15, when unemployment was serious. Note also the increase of suicides during the winter of 1907–08—the year of the last severe depression.

TABLE I—EFFECT OF UNEMPLOYMENT ON SUICIDES AND CRIME

Number of crimes committed during three winter months of

	1906–7	1907–8	1908–9	1909–10	1910–11	1911–12	1912–13	1913–14	1914–15
Suicides	43	60	50	61	61	48	62	65	74
Larcenies	—	—	—	—	—	—	—	1,068	1,227
Burglaries....	—	—	—	—	—	—	—	32	44

While other causes may have contributed to this result, it seems obvious that severe unemployment must have been an important factor in the large increase for the present winter and for the winter of 1907–08.

The superintendent of truancy reports a much larger number

of students remaining away from school on account of the lack of fit clothes than in any recent winter. Only a teacher can appreciate the effect of irregular attendance on the progress of students in a class room.

Typical individual cases convey more clearly the situation in Kensington during the past winter than statistics. A few of these are, therefore, given.

Two English brothers, who have been in this country three and seven years respectively, are married and live in the same house. Both are cloth weavers and have worked at the same mill since their coming to America. The story of Kensington is summed up in the statement of the elder:

> During the last five years I have not worked full time more than half the time. At our mill we usually work five or six months steady, and then part time the rest of the year. In the entire seven years I have been here, eighteen months was the longest steady run we ever had. This winter business has been unusually bad. We have worked half time ever since Christmas (the date of the interview was in July).
>
> If we had had any children like the rest, we'd be up against it like the rest of them. Anybody with children is certainly poor. It isn't because we don't want children, but things are so that if you have two or three children, it takes all you are able to make in good times to supply the necessaries; then when bad times come, you are up against it. If next winter is like the last, a lot of the people we know will have to live on borrowed money, or go under. I have loaned $25 in the last nine months. My brother loaned $33 of which he has had $16 returned. You can't get credit here in a bad time like you can at home. Things are more irregular than they are at home. If we had any children to support, we would go back at once.

The native intelligence and honesty of this family were evidently of high calibre. The fact that they have worked three and seven years respectively at one mill is evidence of their industry.

Frank Ball, a day hand in the Axminster Carpet Mill "A", is described by his foreman as being steady and capable and industrious. Ball says:

> I have a wife and three children—12, 9 and 6 years old. Prior to last fall, I had $300 saved up. I get $2 a day, but since June, 1914 (this interview was in June, 1915), I have averaged less than $8 per week. My rent costs me $13. My father, who lives with me, has been sick, and this, combined with bad times, has used up our savings till we are now $65 in debt. I owe a bill at the clothing store, and I still owe for one of the five tons of coal I bought last year at this time. Now it's time to buy some more.

I don't know what I'd done if I hadn't had a more economical wife than most men. She makes over her old clothes so that they look like new, and when she can no longer fix them for herself, she makes them into clothes for the children. They look neat, too. My wife hasn't had a new dress since 1912.

During this winter, I tried not to let a dollar get away from me if I could help it, and took odd jobs here and there whenever I could get it on the days there was no work at the mill. Once we were shut down for five days on account of the death of a member of the firm. I heard of a job at King of Prussia (a village 17 miles out in Chester County) and went out and got a job there on a farm. I painted some steps, and did other odd jobs about the place. Even at that we could hardly get along.

A lot of families I know of broke up; one right across the street sold their furniture and separated to live with each other's folks. It will take a lot of people two or three years to get over this winter because a good many of them had to borrow money on their furniture. When the bills came due they were unable to make payments, and they lost their furniture.

What famine and black plague were to the middle ages, so is unemployment to the modern industrial world.

Cost of Unemployment to the Employer

Unemployment involves a far-reaching economic loss to employers, even though it does not so immediately affect their welfare as it does that of workers. However, it gravely endangers the welfare of any industrial community. It is a constant menace to an industrial center in its competition for trade with other centers.

Corresponding to the reduced wages of the employe is the reduced output of employers. In the absence of any comprehensive statistics bearing on our loss of output through unemployment, the statistics gathered by the New Jersey State Department of Labor and Statistics show a situation which may be taken as fairly typical of Philadelphia. Figures collected by the State Department from 2,556 firms show the actual output for the year 1912. They also show the output for those plants if "all the existing facilities were brought into use." These latter figures are estimated by the firms themselves. They show that for the normal industrial year of 1912, these plants were running only to 74 per cent of their capacity. Stated in terms of lost output it meant a loss of $363,000,000. Shown graphically the situation may be stated as in fig. 20.

The complete loss to employers is not to be stated solely in

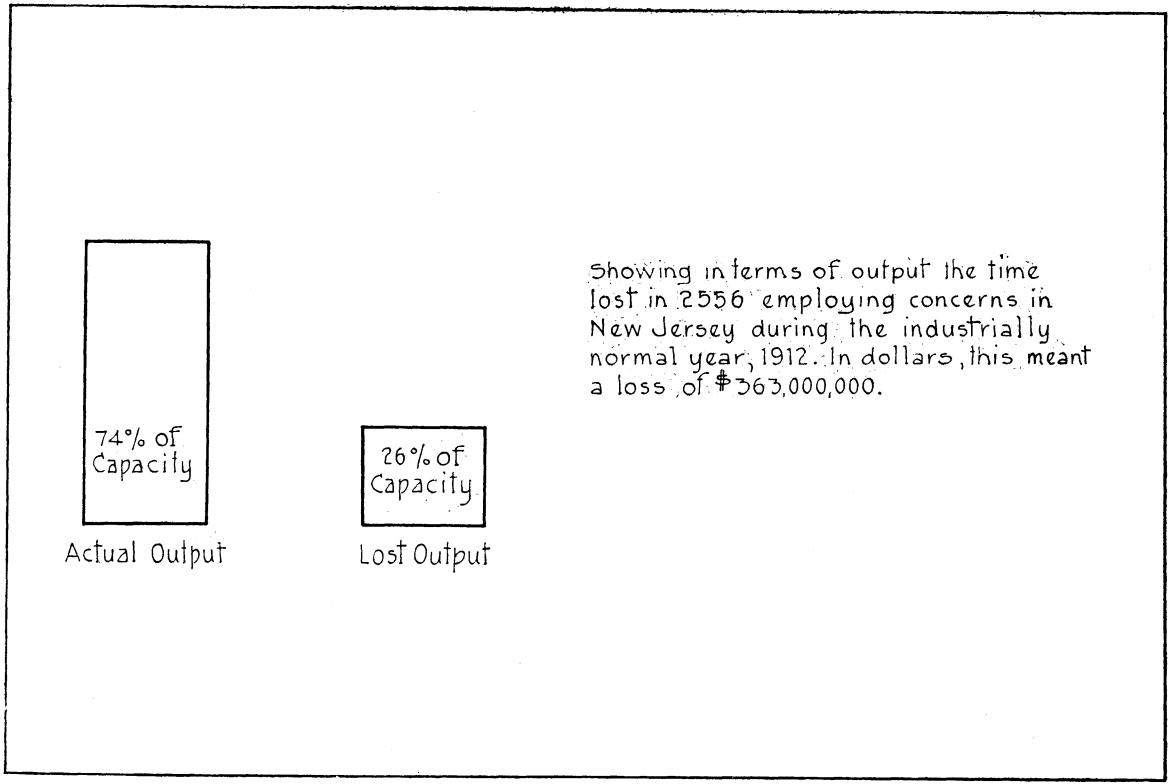
74% of Capacity
Actual Output
26% of Capacity
Lost Output
Showing in terms of output the time lost in 2556 employing concerns in New Jersey during the industrially normal year, 1912. In dollars, this meant a loss of $363,000,000.

FIGURE 20

terms so simple and obvious as in lost output. Perhaps deserving of higher rank than the loss of output is the loss experienced by employers in demoralization of organization. In answer to a question sent by letter to the managers of six representative mills in Kensington, five answered that they regarded unemployment or slack time as the chief causes of the rapid shift of employes from shop to shop. As one employer puts it, "We found that, while our men could make $3 or $4 a day when they worked, they rarely did because of the time that was lost through slack orders, waiting for changes in the dyes, etc. As a result, they were dissatisfied and we couldn't hold our best men." Another firm states the proposition conversely by saying, "We can keep our help and, incidentally, get the best help of our class, not because we pay a higher rate of wages—for as a matter of fact our rate is somewhat lower,—but because we guarantee our help steady employment and our twenty-five years' reputation bears out our claim."

An electric company (outside of Philadelphia) has the following to say regarding the demoralization of the working force through unemployment:

> It is realized by most manufacturers that not only is unrest and dissatisfaction produced among the working force by irregularities in production, but that there is a direct monetary loss of a considerable amount. This is especially true in industries which are conducted very largely by so-called unskilled labor which have to be taught how to perform the work on which they are employed as distinguished from work which is done by recognized trades. To illustrate, in a locomotive or general machine shop when work increases, more machinists are employed. These men, being trained artisans, are familiar with the work which they are employed to do and are immediately productive. In work similar to our own, unless we are fortunate enough to recover all of our old employes, which is never the case, a bulge in production requires the hiring of large numbers of unskilled men and women who have to be taught the various classes of work which are peculiar to our business. This training and development in the different departments requires all the way from a couple of weeks to six months.
>
> Where industries operate under this latter condition, the cost of securing new and untrained employes after a depression may amount to as much as from $25 to $40 per employe, this cost covering the cost of hiring, the cost of training, the work spoiled and the tools damaged during the process. It is aggravated by the fact that all the newcomers do not stick, so that to get one proficient employe in the end you have perhaps started with three, four or five and taken them part way through the training process.

Further reference will be made later to this flow of labor through shops. It is sufficient to say here that this rapid shifting

of labor means a generally lower development of skill on the part of workers and, in the second place, the almost constant presence in the shop of an unusually large number of greenhorns.

The loss of efficiency does not stop simply with the lost skill of those who leave. The manager of one of the largest toolmaking concerns around Philadelphia, says, "After a period of unemployment, it takes the employer three weeks to get his force and plant up to the point where it can turn out orders with normal efficiency. During the slack times it has run down at the heels." The foreman of Axminster Mill "A" says, "Even if the same weaver comes back to the same loom, after a long period of lost time, it takes three weeks before the loom will run again as well as it did before we shut down."

More insidious than these losses to the employer is the loss during periods of unemployment through the degeneration of the workers in spirit, energy and ambition. As one employer writes: "Working men or working women who, through no fault of their own, are deprived successively time on time of the opportunities to realize their earning capacities, inevitably suffer impairment of courage, self-respect and even moral fibre, the loss of which falls first upon the community, but eventually upon industry, in the depreciation in quality and spirit of the labor supply." Philadelphia has been known as the best labor market in the world. Unemployment does not tend to keep her so.

Finally, unemployment, if widespread, knocks the props out from under a market that may already be sagging, because it tends to diminish the buying power of the community, so that industries which might normally be ready to start again, are discouraged from beginning.

One progressive Philadelphia employer sums up the injury by unemployment in their forging and finishing shop as follows:

> When our factory begins to lose time and works on reduced hours, the first thing we notice is breaking up the personnel of our working force. Our best mechanics, who are capable men, begin looking around for other positions. As these men are in the minority, their loss is keenly felt, as quite often one man will be the backbone of a gang of three or four, and his loss is very severe both in efficiency of production and in quality of work. High grade men have less trouble in obtaining other positions under normal conditions than the inferior grade of workmen, and unless a great deal of care is exercised during times of depression, a factory is liable to be left with their less efficient men on hand.

With the loss of any of our men it seems that we must break in new men for the work. If we are running our regular output on a piece work system, as we do here, it simply means that the new men, not having the knowledge sufficient for efficiency, cannot be put on a piece work basis and it is necessary to start him on time work, raising the cost per unit from 5 to 10 per cent.

New men, likewise, turn out more bad work than is usual, and this work is either an absolute loss or must be worked over again at an additional expense. This item, while not large, is simply an added burden to our cost.

In our plant where material cuts such a figure we likewise find that replacing regular men with new men means that they waste material. The difference between the waste of a bar used for a given product and the actual finished product is termed scrap in our cost keeping, and we have figures showing that these men produce 10 per cent more scrap than the average workmen should do. In other words, they use 10 per cent more material to produce a given piece of product than is necessary.

More supplies are used up with new men than with old, first, because they do not know how to handle them, and waste them, and secondly, they produce more bad work which has to be refinished. The first lot of supplies used by new men in making the finished product is lost entirely.

Regarding the last paragraph of your letter which asks for definite figures showing the difference in cost per unit when our factory is running at 100 per cent capacity and when it is running at 75 per cent capacity; on the latter figure our factory cost per unit is 20 to 22½ per cent higher than at full capacity.

The reason for this, of course, is that when you are cutting down the productive capacity it is very hard to reduce to a minimum your force of engineers, foremen, inspectors, firemen, truckers, and such incidental labor, and your general overhead expenses are to a great extent stationary.